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January 22, 2010

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PUBLIC UTILITIES
COMMISSION

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 2009-0161 -- Application of Hawaiian Beaches Water Company, Inc. For Review and Approval of Rate Increases; Revised Rate Schedules.

Pursuant to the Proposed Decision and Order, filed on January 14, 2010, in Docket No. 2009-0161, Hawaiian Beaches Water Company, Inc. ("HBWC") and the Division of Consumer Advocacy ("Consumer Advocate") were ordered to notify the Public Utilities Commission ("Commission") as to whether it accepts, *in toto*, or does not accept, in whole or in part, the Proposed Decision and Order.

The Consumer Advocate notifies the Commission that it has no objections to the Commission's findings and thus accepts the Proposed Decision and Order *in toto*.

The Consumer Advocate would like, however, to offer the following comment for the Commission's consideration. As it relates to the Commission's decision to implement the total increase on a phase-in basis, the Consumer Advocate understands and appreciates the Commission's reasons to include a phase-in of the proposed rate increase. The Consumer Advocate also notes that HBWC accepted the Proposed Decision and Order *in toto*. Thus, the Consumer Advocate suggests that the Commission may want to confirm that HBWC will send an adequate disclosure to its customers about the probable changes in rates that will occur.

To explain, the Consumer Advocate notes that the phase-in has a potential to cause confusion for some of HBWC's customers, especially those who are projected to have a decrease in their water service charges as a result of the introduction of the

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usage sensitive rates.¹ With the implementation of a phase-in plan, certain customers will see an initial decrease in their monthly bill from the existing flat rate of \$48.06 to the proposed Phase 1 rate and subsequently, when the proposed Phase 2 rates are implemented, these same customers will see an increase in their monthly bill.

To illustrate this scenario the Consumer Advocate provides the following table:

Table No. 1

Monthly Water Usage (gallons)	Existing Flat Rate	Phase 1			Phase 2		
		Flat Rate Charge	Usage Charge	Total Monthly Charge	Flat Rate Charge	Usage Charge	Total Monthly Charge
500	\$48.06	\$30.00	\$ 1.50	\$31.50	\$30.00	\$ 2.11	\$32.11
1,000	48.06	30.00	3.00	33.00	30.00	4.22	34.22
2,000	48.06	30.00	6.00	36.00	30.00	8.45	38.45
3,000	48.06	30.00	9.00	39.00	30.00	12.67	42.67
4,000	48.06	30.00	12.00	42.00	30.00	16.89	46.89
5,000	48.06	30.00	15.00	45.00	30.00	21.12	51.12
6,000	48.06	30.00	18.00	48.00	30.00	25.34	55.34

Based on the above Table No. 1, even those customers with a monthly water usage of 6,000 gallons per month would initially see a small decrease in their monthly bill resulting from the migration from the existing flat rate to the proposed Phase 1 rate. Subsequently, an increase will follow when Phase 2 is implemented. The Consumer Advocate realizes that its calculations are simplistic and do not take into account the automatic power cost adjustment clause or variations in water usage. The Consumer Advocate, however, asserts that if such a situation does occur, a significant portion of the Company's customers, approximately 50%² who have water usage of less than 6,000 gallons per month, may be affected. Thus, there is some concern that certain customers may be confused by a rate decrease upon the effective date of the first phase and a subsequent rate increase upon the implementation of the second phase.

The Consumer Advocate has discussed this matter with the Company to determine whether HBWC intended to take any action in an attempt to mitigate the

¹ As shown on column 12, page 9 of Exhibit HBWC – A of the "Stipulation of Settlement Agreement in Lieu of Rebuttal Testimonies," filed by HBWC and the Consumer Advocate on November 23, 2009, HBWC's customers using less than 5,000 gallons per month were projected to have a decrease in their charges based on the proposed rates.

² Based on CA-WP-107 filed in the Consumer Advocate's direct testimony approximately [REDACTED] existing HBWC customers have a monthly water usage less than 6,000 per month.

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possible confusion that might occur. The Consumer Advocate understands that the Company intends to provide notice to its customers regarding the potential impacts of the phase-in plan. Therefore, the Consumer Advocate recommends that the Company be required to file a copy of the bill insert or narrative that is sent to customers with the Commission and the Consumer Advocate.

Thank you for the opportunity to provide comments on the Proposed Decision and Order.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dean Nishina", with a stylized flourish at the end.

Dean Nishina
Executive Director

DN:dl

cc: Michael H. Lau, Esq.
Kris N. Nakagawa, Esq.
Sandra L. Wilhide, Esq.
Katherine M. Prescott
Mark J. Prescott